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U.S. Trade Representative Announces Progress in Transatlantic Trade

United States Trade Representative Charlene Barshefsky, in Bonn, Germany, with President Clinton to attend the semiannual U.S.-EU Summit meeting, announced the conclusion of the first set of agreements under the Transatlantic Economic Partnership (TEP) trade dialogue, begun one year ago in London.

“The steps we announce today are the first in a series of those designed to create new opportunities for American manufacturing and service industries, give both parties more confidence in regulatory processes, and help us strengthen guarantees of food safety,” said Ambassador Barshefsky. “They will also help us develop new areas of consensus as we approach a new Round of trade negotiations at the WTO.”

“These steps will help reduce unnecessary transatlantic trade barriers, open new areas for negotiation,” Ambassador Barshefsky concluded, “and help us strengthen the world’s largest economic relationship in years to come.”

Trade Ministers and Leaders from the United States, the European Commission and Germany (holding the current EU presidency) were pleased to report that a year after its inception, the TEP has produced milestones in several areas. These include:

- A finalized text of a precedent-setting U.S.-EU framework agreement for negotiating mutual recognition in services that will ease trade for firms in the fastest growing sector of the U.S. economy. US-European services trade is already \$130 billion a year, and services will be a central focus of the new WTO Round. This text is now being reviewed by both sides.
- Agreement to initiate negotiations to add a new sector, marine safety equipment, to the existing sectors covered by the U.S.-EU Mutual Recognition Agreement of 1998.

- Establishment of a joint pilot project aimed at acceptance by regulatory authorities on both sides of the common data requirements that could underlie each other's decisions regarding approval of biotechnology products. This could reduce uncertainty faced by U.S. firms wishing to export medical and agricultural products developed through biotechnology.
- Finally, agreement by the U.S. and EU to establish an early warning system on food safety to alert one another to proposed regulatory changes in food safety; and a rapid alert system to ensure that third countries have timely warning of threats to food safety.

USTR Fact sheet attached.

TRANSATLANTIC ECONOMIC PARTNERSHIP FACT SHEET ON PROGRESS ACHIEVED

The United States and European Union (EU) have the world's largest trade and investment relationship, supporting millions of jobs on both sides of the Atlantic, creating growth for Americans, Europeans and the world, and generating investment and scientific research in virtually all industrial and agricultural sectors. Bilateral discussions and advice from the private sector and civil society groups, however, identify significant areas in which the U.S. and EU can realize mutual interests, promote mutually beneficial trade, and advance shared values.

Thus, at the Summit in London on May 18, 1998, we agreed to establish the Transatlantic Economic Partnership (TEP). The TEP builds on the New Transatlantic Agenda, adopted in 1995, to reduce persistent trade barriers. One year later, the TEP has achieved significant progress in standards and regulatory barriers, biotechnology and food safety. This work will lead to more transparent regulation; reduced paperwork; and enhanced trade in manufacturing, services and agriculture, while ensuring high standards of product and food safety.

TEP Services – Framework MRA

In the area of services, we aim to make it significantly easier for U.S. professionals and firms to operate in the European marketplace. To support this goal, we have finalized the text of mutual recognition framework agreement, which is being reviewed on both sides. This agreement provides for the necessary principles and rules under which to conduct mutual recognition, that will potentially facilitate trade in services, from professional services to financial services.

Services represent 75% of the U.S. GDP and is the fastest growing sector of our economy. The framework agreement will create mutually beneficial new business opportunities in a bilateral relationship that already exceeds \$130 billion in bilateral services trade and help build consensus for the next WTO round of negotiations on services. At the same time, the agreement protects our environmental, health, safety and consumer protection concerns.

Under the framework, the U.S. and the EU will agree to recognize the licenses or certifications granted in each other's regulatory systems in selected services sectors. Through such European recognition, this agreement will significantly expand market opportunities and lower costs for U.S. firms and professionals.

In the coming months, once agreement is reached on the framework, we hope to achieve concrete results in important sectors such as engineering, insurance, and other sectors in which U.S. firms and professionals set the international standard for competitiveness.

TEP Biotech – Pilot Project

In a continuation of U.S. and EU efforts to improve the review process of transgenic plants prior to commercialization, the U.S. and the EU adopted a TEP pilot project, which will enable a comparison of certain U.S. and EU environmental review processes for transgenic plants. Under one component of the project, U.S. and EU regulators will compare certain aspects of their scientific review of biotech product applications. Under the second aspect, U.S. and EU regulators will monitor the other's processing of an application filed simultaneously in the United States and the EU by a willing participant. The proposed pilot project would focus on the technical and scientific issues which are part of the regulatory approval process. More timely and transparent regulation in the EU will remove a growing trade irritant and contribute to potentially increased sales of innovative American biotechnology products in the EU.

Food Safety

Food safety is an important issue in both the United States and the EU. Both are committed to providing their citizens the highest levels of protection. At the same time, both want to reduce potential trade problems in this area. To that end, the U.S. and EU committed to several initial but important steps.

The U.S. and EU have agreed to pursue the establishment of an early warning system on food safety. The U.S. and the EU are exchanging information on their respective legislative and regulatory initiatives in food safety which could relate to transatlantic trade. Both sides are also exchanging information on their systems for a rapid alert system to inform third countries of food safety problems. Also, the two sides are pursuing a formal arrangement to cooperate in the exchange of information and education in the risk assessment area.

Standards and Regulatory Barriers

Sectoral Initiatives

U.S. and EU officials have also been working on a first package of sectors in which technical barriers to trade can be eliminated. We agreed to intensify work in the following sectors.

On marine safety equipment (e.g., lifejackets, lifebuoys, rescue boats, life boats, life rafts, evacuation systems, deck coverings), we expect to begin negotiations to add this sector to the existing Mutual Recognition Agreement (MRA). Negotiations will cover conformity assessment procedures – i.e., testing or certifying for each other's regulations – and possibly recognition of each other's technical requirements. We hope to conclude negotiations this year.

On cosmetics, we will implement the quadrilateral (U.S., EU, Canada, Japan) work program, which will aid in a better understanding of our respective systems. This work program covers the basic safety of ingredients and products, exchange of data and scientific reviews, an alert system for dangerous goods, UV filters for sun screens, preservatives, colours, and animal testing. Work will be done on each of these areas in advance of a second full meeting early next year.

On calibration, we are conducting work on the link between the technical and trade aspects of the recognition of measurements underlying specific tests conducted to assess conformity with

regulatory requirements. In general, the U.S. and E.U. ensure measurement accuracy and quality through periodic calibration of test equipment.

On road safety equipment (e.g., traffic barriers, crash cushions and breakaway signposts), we have already undertaken considerable preparatory work. We agreed to complete this necessary work in the near future, with a view to possibly adding this sector to the EU/US MRA next year.

On elevators, we agreed to initiate a new regulatory dialogue to identify and understand current regulations and procedures on manufacturing and installation. We agreed to continue working in the International Organization for Standardization, which is developing an international standard establishing essential technical requirements for this equipment.

Cooperation and Transparency

Technical barriers to trade -- duplicative regulation, unnecessary paperwork, incompatible standards and so forth -- may reduce trans-Atlantic trade by up to \$3-5 billion, and impose especially severe burdens on small and medium-sized companies.

To address these problems, the U.S. and EU conducted a thorough review of the transparency of our respective regulatory procedures. Both sides prepared papers, which were subjected to detailed questions and comments. On the basis of the final papers, which are available to the public, we will begin developing principles and guidelines to improve participation and openness of our regulatory procedures. We hope, by enhancing the ability of both sides to consult and provide views on standards and regulations, to identify potential problems early and prevent them from emerging as serious disputes.

We have also examined ways our regulatory agencies have been cooperating, both bilaterally and multilaterally. On this basis, we will begin developing principles and guidelines to improve further our cooperation.